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SUBJECT: TRANSPORTATION AND COMMUNICATIONS MINISTER ON
INTERNET PENETRATION IN GREECE AND OPPORTUNITIES FOR
INVESTMENT

SUMMARY

1. In a February 7 meeting, Transportation and Communications Minister Liapis informed the Ambassador about projects to expand broad band connections to the Greek regions and install optical fiber rings in 50 cities. He said that participation by U.S. firms in these projects would be welcome, and GoG tenders will be announced in the near future. Liapis also vowed that the GoG will take steps to implement EU directives on telecommunications deregulation. End Summary.

2. In a February 7 meeting with Minister of Transportation and Communications Mikhalis Liapis, the Ambassador inquired about efforts to extend internet penetration in Greece. (Note: Greece has the lowest internet penetration in Europe: only 19.6 percent for private households and 20 percent for Greek businesses). The Ambassador noted that wider diffusion of internet usage would make Greece more attractive to U.S. investors, especially firms offering financial services or wishing to use Greece as base to extend to other Balkan countries. Minister Liapis pointed out that high costs and the limited availability of broad band connectors are among the main obstacles to wider internet usage. (Note: The state telecom company (OTE), which has a near monopoly on Greece's telecom backbone infrastructure, is notorious its for high interconnect fees and poor service).

3. Liapis noted that his government is taking advantage of EU-sponsored information society initiatives to encourage private companies and public agencies to invest in information technology. There is a 185 million euro fund (co-financed by the GoG and the EU Third Community Support Framework) to extend broadband access to regions outside Athens and Thessaloniki. He said Greece would welcome participation by U.S. companies in preparing the feasibility studies for that project. He said there are plans to install optical fiber rings in 50 Greek cities, and that GoG will announce tenders for that project in the near future.

4. Liapis said the government's objective is to absorb EU funds earmarked for IT programs as quickly as possible. (Note: Over the past year, the GoG reportedly approved about 30 IT projects with a budget of 100 million euros. The information society program announced by the GoG on February 1 has a total budget of 2.7 billion euros, including EU community support funds and companies' contributions to be invested by 2006). Liapis also stated that GoG is ready to apply EU directives on IT and fulfill its obligations.

5. Comment: Last year, the EC was forced to take Greece to the European Court of Justice because of its failure to incorporate several EU directives regarding the deregulation of the telecommunications market. The EC has also taken Greece to task for lack of progress in promoting IT investments that would help the country converge with its EU partners. It appears that the government, prompted by EU criticism as well as the need to enhance Greece's competitiveness and attractiveness for FDI, is taking some long overdue steps to address the country's shortcomings in the diffusion of computer and telecommunications technologies.

WALLES